



# ***CITY COUNCIL STUDY SESSION AGENDA REPORT***

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**MEETING DATE: MAY 11, 2021**

**ITEM NUMBER: 1**

**SUBJECT: FISCAL YEAR 2021-22 PROPOSED CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET AND FIVE-YEAR (2021-22 TO 2025-26) CIP STUDY SESSION**

**DATE: MAY 5, 2021**

**FROM: PUBLIC SERVICES DEPARTMENT  
FINANCE DEPARTMENT**

**PRESENTATION RAJA SETHURAMAN, PUBLIC SERVICES DIRECTOR  
BY: CAROL MOLINA, FINANCE DIRECTOR**

**FOR FURTHER INFORMATION RAJA SETHURAMAN, PUBLIC SERVICES  
CONTACT: DIRECTOR (714) 754-5032**

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## **RECOMMENDATION:**

Staff requests that the City Council provide general direction during the Study Session on the Fiscal Year (FY) 2021-22 Proposed Capital Improvement Program (CIP) Budget (Attachment 1) and the Five-Year (FY 2021-22 to FY 2025-26) CIP (Attachment 2). A final vote on the FY 2021-22 Proposed CIP Budget is not required until June 30, 2021.

## **BACKGROUND:**

The onset of the global COVID-19 pandemic in March 2020 brought unprecedented financial challenges to the City. During Fiscal Year 2020-21, the City Council took several measures to address the crisis, including canceling/deferring approved Capital Improvement Projects (CIP) and reducing the General Fund allocation to the CIP budget to less than the five (5) percent reflected in the Capital Assets Needs (CAN) Ordinance. These actions and the recent passage of the federal American Rescue Plan (ARP) paved the way to consider a more robust CIP budget for the upcoming Fiscal Year starting on July 1, 2021.

Despite the challenges posed by the COVID-19 worldwide pandemic, the City has made numerous significant CIP accomplishments during the current fiscal year. Some of the major accomplishments include:

- **Costa Mesa Bridge Shelter** – The new bridge shelter at 3175 Airway Avenue was formally dedicated on March 23, 2021. A 15,000 sq. ft. industrial warehouse was transformed into a facility to accommodate 72 persons who lack reliable shelter and sustenance. Key features of the facility include gender separated living quarters, full service commercial kitchen, and indoor and outdoor gathering areas.

- **Norma Hertzog Community Center** – The old Donald Dungan Library was repurposed and renovated into a new neighborhood community center and was named after former Mayor Norma Hertzog. The community center, constructed to Leadership in Energy and Environmental Design (LEED) Silver standards, includes a large meeting hall with a capacity of 330 persons and a smaller meeting hall with a capacity of 100 persons. The new community center features enhanced audio-visual equipment and an outdoor patio area that can host special events.
- **Lions Park Playground** – The playground is being reconstructed with modernized play equipment, a new playground surface, a refurbished airplane, new concrete walkways, a shade structure, enhanced landscaping and new restrooms. The anticipated completion date is Summer 2021.
- **Merrimac Way Improvements** – The project included construction of Class I and Class IV bicycle facilities on Merrimac Way between Fairview Road and Harbor Boulevard. In addition, the pavement on Merrimac Way was redesigned and reconstructed. Other features of the project include a new pedestrian crossing and signal, green bicycle conflict zone striping, and enhanced landscaping.
- **Citywide Street Improvements** – Several streets in the Westside and Eastside neighborhoods of Costa Mesa were improved as part of this project. Major streets improved over the current fiscal year include Bear Street, Santa Ana Avenue and Hamilton Street. A total of 1.14 million square feet of pavement was reconstructed as part of this project.

## **ANALYSIS:**

The CIP budget for FY 2021-22, which starts on July 1, 2021, was developed based on input from various departments, community needs identified over the past year as well as consideration of City Council priorities. The budget document will include a narrative section of the CIP process, incorporating visual elements for recommended projects, listing of ongoing capital improvement projects with updated balances, and a five-year CIP. The Study Session will provide overall highlights of the Proposed CIP Budget with the detailed CIP soon to follow.

The FY 2021-22 Proposed CIP Budget is approximately \$24.6 million, across all funding sources, which is an increase of approximately \$10.7 million (77%) compared to the Adopted Budget for FY 2020-21. The General Fund component (Fund 401) of the budget is approximately \$7 million, representing an increase of approximately \$2.7 million compared to the prior fiscal year. The proposed CIP meets the Capital Asset Needs (CAN) Ordinance that requires five (5) percent of General Fund revenues be budgeted for Capital projects.

Following discussions with all departments, the City Manager is recommending numerous projects for FY 2021-22. A sampling of major projects that are proposed for FY 2021-22 are briefly described below:

- **Fire Station 2 Reconstruction Design** – Fire Station 2 on Baker Street commenced operations in 1966, and has exceeded its useful life span. The facility needs to be upgraded and reconstructed to meet operational needs, including multi-gender operations, Americans with Disabilities Act (ADA) guidelines, seismic stability and

occupational health. The design is proposed in the upcoming fiscal year followed by construction in future years.

- **Police Department Range Remodel** – The Police Department indoor firearms range is in poor condition with obsolete and/or inoperable equipment. The range is required to ensure firearms training mandates for 136 sworn officers, 4 reserve officers and 6 Fire Department arson investigators. Design of the project is currently underway and funding is requested for the construction phase.
- **Westside Park Development** – It is a Council priority to enhance available park and open space in the Westside area. This funding is part of a multi-year effort to identify potential park sites and the development of these sites. City staff will consider options such as leasing or repurposing facilities and creating new partnerships with public and private landowners.
- **Citywide Street Improvements** – A total of approximately \$12 million is proposed for street improvements using various funding sources, including restricted funds from Measure M2 Fairshare, Gas Tax Highway User Tax Account (HUTA) and Road Maintenance and Rehabilitation Account (RMRA), and the General Fund. The proposed CIP for FY 2021-22 reflects an increase in funding for the Citywide Street Improvements compared to the previous fiscal year. We are pleased to announce that the current Pavement Condition Index (PCI) for the City is at a “very good” rating of 86.5. This was achieved with a sustained investment in the City’s infrastructure over the past several years. With this investment, the City will continue to maintain the majority of streets at a high quality. Some of the projects in the upcoming fiscal year include Wilson Street, Adams Avenue, and streets in other residential neighborhoods throughout the City.
- **Baker Street, Placentia Avenue, 19<sup>th</sup> Street, and Victoria Street Traffic Signal Synchronization** – This project will result in traffic signal timing improvements as well as equipment upgrades for traffic signals along all these corridors. The project includes accessible pedestrian push button installations, countdown pedestrian heads, video detection for bicycles, Global Positioning System (GPS) Emergency Vehicle Preemption and Closed Circuit Television (CCTV) installation.
- **Active Transportation Improvements** – Several Active Transportation projects are proposed as part of the FY 2021-22 CIP. These include:
  - Bicycle and Pedestrian Infrastructure Improvements
  - Citywide Bicycle Wayfinding Signage
  - Citywide Class II & III Bicycle Projects
  - Mesa Del Mar Multi-Modal Access and Circulation Improvements
  - Mesa Drive and Santa Ana Avenue Bicycle Facility Improvements
  - Mesa Verde Drive East/Peterson Place Class II Bicycle Facility
  - Randolph Avenue Parking and Pedestrian Improvements
  - West 18<sup>th</sup> Street and Wilson Street Crosswalks

A listing of ongoing CIP projects is included in Attachment 3. Staff will request continuing appropriations for a total of 68 projects with a total remaining balance of approximately \$35 million from all funding sources as previously approved by the City Council.

The CIP is scheduled for presentations at the following committees and commissions:

- Planning Commission – May 10, 2021
- Finance and Pension Advisory Committee - May 12, 2021
- Parks, Arts, and Community Services Commission – May 27, 2021

All comments received from the aforementioned committees and commissions will be presented to the City Council as part of budget deliberations.

### **ALTERNATIVES CONSIDERED:**

The City Council may consider changes to the Proposed CIP budget and direct staff accordingly. Staff will evaluate and return to Council for formal adoption in June 2021.

### **FISCAL REVIEW:**

The CIP budget was prepared based on actual and estimated revenues from various funding sources to maintain essential and key projects funded to the maximum extent possible. Various funding sources including City, County, State and Federal funding sources, many of which are restricted, are used to fund the City's Capital Projects. There are sufficient Fund Balances and estimated revenues to support the projects recommendation for FY 2021-2022 in the CIP.

### **LEGAL REVIEW:**

The City Attorney has reviewed and approved this report as to form.

### **CITY COUNCIL GOALS & PRIORITIES:**

The CIP budget strives to achieve City Council goals and objectives as listed below:

- Achieve long-term fiscal sustainability
- Strengthen public safety and keep the community safe
- Maintain and enhance the City's infrastructure, facilities, equipment and technology

### **CONCLUSION:**

The attached preliminary Proposed CIP budget utilizes anticipated revenues from various funding sources both General Fund and Restricted Funds to program essential and key projects in accordance with City Council adopted goals and priorities. Staff requests City Council direction on the Proposed CIP budget in order to finalize recommendation for final Budget adoption by June 30, 2021.

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**RAJA SETHURAMAN**  
Public Services Director

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**CAROL MOLINA**  
Finance Director

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**KIMBERLY HALL BARLOW**  
City Attorney

ATTACHMENTS:

- 1 [FY 21-22 Capital Improvement Program](#)
- 2 [Five-Year Capital Improvement Program](#)
- 3 [Prior Ongoing CIP projects](#)